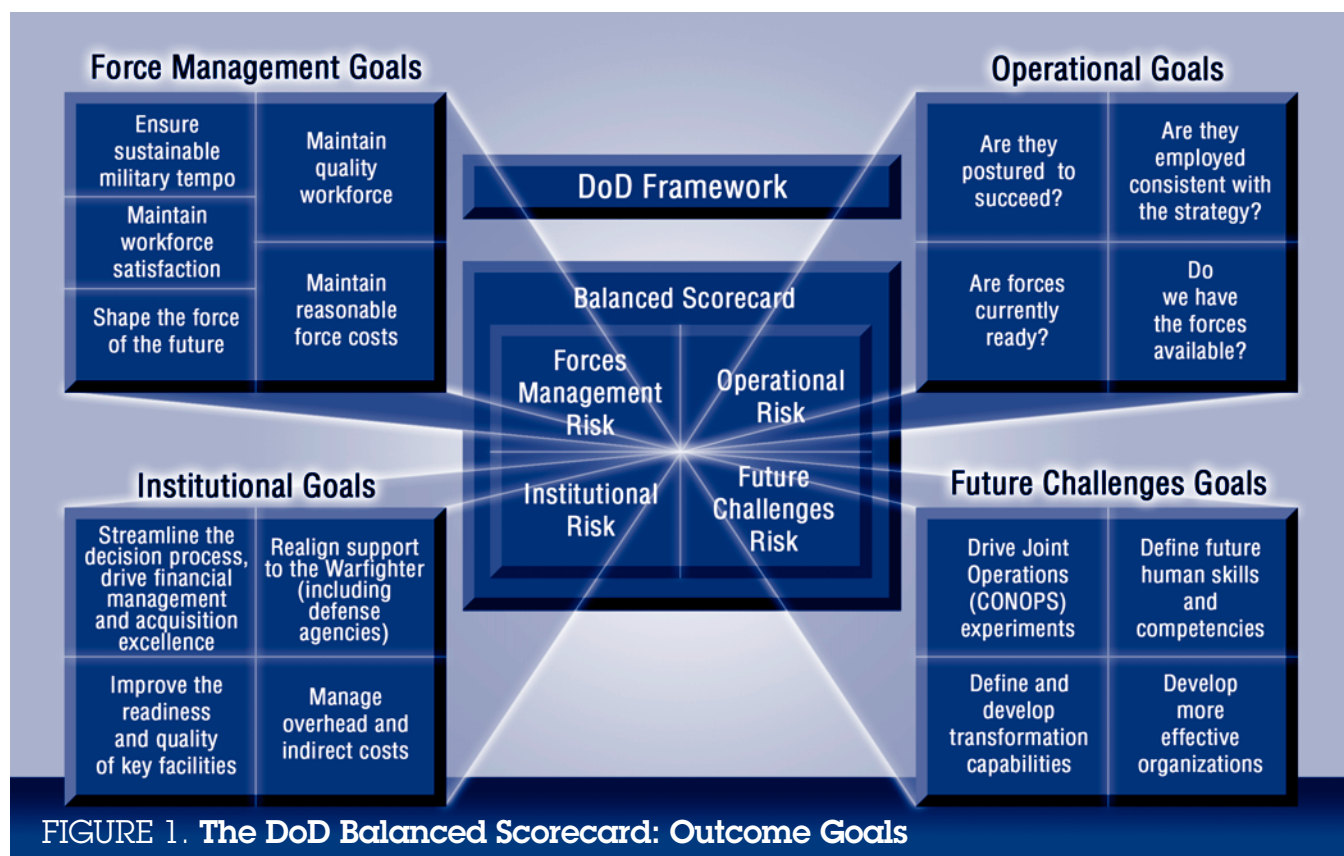


The Balanced Scorecard and other Thoughts on Metrics

Krieg Address Focuses on Tools for Transformation

Christina Cavoli



On Oct. 28, 2003, Ken Krieg, special assistant to the secretary of defense and director for program analysis & evaluation (PA&E), addressed DAU faculty and students on transforming the processes and decision tools in the Department of Defense (DoD). The address was also carried via video teleconference to all DAU regions and sites. As director of PA&E, Krieg is charged with changing the process of how we do business within the DoD. His presentation focused on an overview of the balanced scorecard system—

the what and why of metrics within the context of the DoD.

The Background: a Call for Transformation

A list of current U.S. defense priorities puts transforming the DoD as one of the topmost. Given such importance, “transformation” became a ubiquitous buzzword post-9/11. Everything began to be described in terms of transformation. Krieg pointed out that change must revolve around core priorities and must be explicitly defined: attaching the word “transformation” to every effort, transformational or not, rendered the term almost meaningless.

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"Ninety-nine point nine percent of our time is spent arguing about what we should put in our coffers," he said. That is an input-based emphasis that focuses almost exclusively on the program instead of putting the energy into the output, which is the thrust of transformational thinking.

The Balanced Scorecard

So how can DoD move to a transformational view? The purpose of Krieg's organization is to provide the workforce with the appropriate tools for achieving these goals. One of the significant tools touted by PA&E is an idea taken from the private sector—the balanced scorecard approach, which gauges the performance of an organization, project, or system by taking into account measures from several perspectives. Coined in 1992 by Robert Kaplan and David Norton in an article entitled "The Balanced Scorecard—Measures that Drive Performance," this concept helps managers at all levels monitor results in key areas with the goal of becoming a strategy-focused organization.

While there's nothing new about using key measurements to judge the effectiveness of an organization, Krieg as-

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serted, the balanced scorecard approach seeks to broaden the scope of the measures. It is not, therefore, simply monitoring present performance, but also capturing information about how well the organization is positioned to perform in the future. For a business, this means measuring not only the bottom line, but also customer knowledge, internal business processes, and learning and growth.

Krieg points out that the DoD faces challenges in implementing the balanced scorecard approach that the private sector does not. The DoD is not a commercial company with profit and loss concerns, but rather acts as an entire economy of its own. Its organization is complex, and requirements of the various parts are extremely diverse. Unlike in a corporate culture, change within the government is complicated by a multiplicity of bosses and goals—often within the same organization. Finally, the lack of a consolidated system makes collecting and measuring data exceedingly difficult. Data can often be painstakingly collected only to find no useful method for tabulating and evaluating them in a meaningful manner. "We measure everything," Krieg stated, "but by measuring everything and aligning nothing,

Ken Krieg, Special Assistant to the Secretary and Director for Program Analysis & Evaluation (PA&E)

Ken Krieg currently serves at the DoD as special assistant to the secretary and director for program analysis & evaluation (PA&E). He leads an organization that provides independent advice to the secretary of defense in a range of areas, including defense systems, programs, and investment alternatives as well as providing analytic support to planning and resource allocation.

Krieg joined the DoD in July, 2001 to serve as the executive

secretary of the Senior Executive Council (SEC), a position he continues to hold. The SEC, composed of the secretary, deputy secretary, service secretaries, and under secretary of defense for acquisition, technology and logistics, is responsible for leading initiatives to improve the management and organization of the DoD.

Prior to joining the DoD, Krieg worked for many years in the private sector, most recently as International Paper's vice

president and general manager of the office and consumer papers division. He also served in a number of defense and foreign policy assignments, including positions at the White House, on the National Security Council staff, and in Office of the Secretary of Defense.

Krieg received a bachelor's degree in history from Davidson College and a master's in public policy from the Kennedy School of Government at Harvard University.

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Four Scorecard Areas

Krieg asserts that metrics should be mapped out for all areas. The four proposed scorecard areas, each of which focuses on specific ways of controlling threats, are:

- Force risk management;
- Operational risk;
- Future challenges risk;
- Institutional risk.

Goals can be generated from each scorecard area (Figure 1). From each area’s goals, specific performance measures are identified and then monitored, measured, and evaluated. Figure 2 illustrates the progression from goals to metrics in the force management risk area.

Data can be gathered for three different levels of activity. Green metrics identify measurable, defined, and available data; yellow metrics assess performance that is measurable but not yet defined and for which data are unavailable; and red metrics provide a method for assessing performance even when tangibles have yet to be measured. The activity within DoD pertaining to each level breaks down roughly into thirds; using such a system to analyze performance of each of these levels is also a useful method for reporting results to Congress in annual Defense reports.

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For the scorecard approach to work, metrics must be cascaded downward. Communication at all levels, linking strategies to avoid conflicting priorities, regular reviews, and established targets and goals are needed throughout an organization. Ultimately, junior-level managers making day-to-day decisions will have an invested feeling that the core, defined things they are expected to deliver will have an integral, measurable role in improving the enterprise and moving it forward. Krieg said, “People want to get stuff done and feel positive about it.” The communication link must circle back; without feedback and response, the balanced scorecard approach, he said, is “just another fad,” and added, “And I’m just another talking head.”

The current reality is that it takes five years to develop a war plan. Yet the world continues to change, perhaps dramatically and unexpectedly, while the details of the war plan are still being negotiated and hashed out. “The energy,” Krieg stated, “is in the wrong place.” New tools are necessary to allow a shift

from the historic view to a new way of thinking, and the balanced scorecard approach provides a method for reaching that goal and enabling the DoD to operate as a strategy-driven organization.

